

TECHNICAL MEMORANDUM

Utah Coal Regulatory Program

#3858
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July 6, 2011

TO: Internal File

THRU: Joe Helfrich, Environmental Scientist III, Reclamation Biologist, Team Lead

FROM: Peter Hess, En Sci III, Inspector, Engineering and Reclamation Cost Estimate Review

RE: PERMIT AREA MODIFICATION, Energy West Mining Company/PacificCorp, Trail Mountain Mine, C/015/0009, Task ID # 3858

John
PHH by 8/2/5

SUMMARY:

Energy West Mining Company ceased mining activities at the Trail Mountain Mine on March 15, 2001. The Permittee notified the Division on May 4, 2001 that the operation was to be placed into temporary cessation status. The Mine was sealed and the electrical substation was de-energized. The collection of water monitoring data continues, and the Permittee maintains general liability insurance coverage and a posted bond amount.

The current State of Utah permit issued by the Division of Oil, Gas and Mining was effective February 21, 2010. To date, no surface reclamation of these facilities or the Trail Mountain Access Area has occurred.

The Division continues to conduct quarterly inspections of the site.

This memo will address the first thirty-five pages of Chapter 3, Engineering, of the Trail Mountain Mine mining and reclamation plan. The remaining pages need to be addressed by other R645 disciplines.

TECHNICAL ANALYSIS DESCRIPTION:

The submitted application (identified as Task ID # 3858) contains very minor text revisions for the sections from Section 3.2 Surface Facilities (page 1) through Section 3.4 Environmental Protection (page 35). The areas where what are felt to be the most important text changes are the following;

- 1) Section 3.3.1 Mining Plans (page 12)
- 2) Section 3.3.1.4 Projected Mine Development—Mains, Sub-mains. Panels, Etc. (pages 17 and 18)
- 3) Section 3.3.1.5 Retreat Mining
- 4) Section 3.3.2.1 Protection of Oil and Gas Wells / Barrier Pillars
- 5) Section 3.3.2.3 Lease, Permit and Adjacent Area
- 6) Table 3-1 Recoverable Reserves
- 7) Section 3.3.5.4 Surface Blasting during Daylight Hours Only
- 8) Section 3.3.7 Mine Plan Area

The above sections with their proposed text changes are discussed below.

ENVIRONMENTAL RESOURCE INFORMATION

PERMIT AREA

Analysis:

Section 3.3.7 Mine Plan Area (Page 35 of the Task ID # 3858 submittal) has proposed a minor change in the permit area acreage reducing the approved acreage of 3,538.98 acres to 773.50 acres of fee and Federal land. The acreage relinquished back to the Federal agency managing it amounts to 2,762.48 acres. This acreage does not concur with the 2,765.48 reported in paragraph two of the cover letter describing this submittal. This is a deficiency.

According to page 1-6 of the PacifiCorp *Legal and Financial Volume*, 53.5 acres of the 773.50 acres to which the Permittee still has right of entry to (i.e., PacifiCorp Fee) conduct mining activities consists of private coal leases. The remaining 720.00 acres is made up of three Federal coal leases. PacifiCorp also owns the 10.39 acres of land upon which the Trail Mountain Mine surface facilities exist.

The text changes proposed in section 3.3.7.2 Acreage and Delineation (page 35 of the Task ID 3858 submittal) cannot be approved as submitted.

Findings:

The proposed text changes submitted on Page 35 of the Task ID # 3858 submittal for Section 3.3.7 Mine Plan Area cannot be approved. In accordance with the requirement of:

R645-301-521, the Permittee must rectify the discrepancy (3 acres) between the acreage reported as being relinquished back to the Federal government in Task ID # 3858, Section 3.3.7 Mine Plan Area, page 35 and the acreage reported as being relinquished in the cover letter describing the Task ID # 3858 Amendment to Modify the Permit Area.

OPERATION PLAN

Mining Operations and Facilities

Analysis:

The main facilities area of the Trail Mountain Mine remains as they existed when the site was placed in temporary cessation status (May 4, 2011). The portals were sealed with solid block seals per the approved mining and reclamation plan and the MSHA approved sealing plan. Chain link barricades were installed to prevent unauthorized access to the seals.

Section 3.3.1 Mining Plans (Page 12). This section briefly mentions that first and second mining was first practiced at Trail Mountain on the southern end of the property. The leases of these coal bearing areas have been reverted back to the Federal agencies who manage the surface and subsurface resources within the lease areas. "The coal leases in these underground areas (with the exception of 3rd West) were partially relinquished effective January 9, 2009".

In section 3.3.1.5 Retreat Mining the application states "All coal leases containing panels off the 5th Left Mains below 1st Right have been relinquished effective January 9, 2009."

Findings:

The submitted changes discussing the relinquishment of leases from areas where underground extraction has been completed update the permit area where coal extraction has been completed and can never be re-initiated. These changes should be approved as submitted.

3.3.2 Barrier Pillars

Section 3.3.2.1 Protection of Oil and Gas Wells (page 18 of TID # 3858)

Analysis:

The submitted application merely states, that at present, "no oil or gas wells exist in the areas of underground mining activities". Oil and gas wells are required to be shown on mine workings maps as well as ventilation maps under 30 CFR 75.1700, Oil and Gas Wells, and barriers having a 150 foot radius are required to be left around them. As no wells are known to exist where the underground mining activities have or will occur at Trail Mountain, this text change should be approved as written.

Findings:

This change should be approved as written.

COAL RECOVERY

Section 3.3.2.3 Lease, Permit and Adjacent Area

Analysis:

This section of the submitted application is relevant to "lease, permit and adjacent area" boundaries. The amendment to the MRP states that these boundaries are designated in accordance with both State and Federal mining regulations. This text change should be approved as submitted.

Findings:

This change in text to Section 3.3.2.3 (page 19) of the Trail Mountain mine plan should be approved as submitted.

Analysis:

3.3.3 Conservation of Coal Resources (page 19)

3.3.3.1 Projected Maximum Recovery

The TID # 3858 application states that "there is no amount of coal recoverable from the historical (relinquished) Trail Mountain mine plan area. The approved Resource Recovery and Protection Plan (R2P2) shows approximately 1.7 million tons of recoverable coal in the current Logical Mining Unit (LMU)." This remaining recoverable tonnage is verified in **TABLE 3-1, RECOVERABLE RESERVES**, (page 20) Section 3.3.3.2, **Justification of Non-Recovery**.

This statement must correlate with the BLM decision document regarding relinquishment of the mined out lease areas. This text change should be approved as submitted in the Task ID # 3858 application.

TABLE 3-1, RECOVERABLE RESERVES has been modified to adjust the tonnages recovered from Federal coal leases UTU-49332 and U-64375 and the recoverable tons in each of those leases. Footnotes added to TABLE 3-1 discuss the partial relinquishment of 261.47 acres from Federal lease UTU-49332 effective January 9, 2009 and the partial relinquishment of 2504.01 acres from Federal lease U-64375 effective on this same date.

Findings:

This text change to page 19 of this application should be approved as submitted.

USE OF EXPLOSIVES

Analysis:

Section **3.3.5.4 Explosive Storage and Handling** submitted as part of Task ID # 3858 application contains a very minor text revision on page 27 which states that **“When using explosives on the surface”** all blasting will be done between sunrise and sunset”. This minor text change has been done to clarify the explosive usage plan at the Trail Mountain Mine and updates that plan to bring it into compliance with the requirement established under **R645-301-524.420**. This minor text change should therefore be approved as submitted.

Findings:

This minor text change updates the currently approved mine plan and brings it into compliance with R645-301-524.420. It should be approved as submitted.

RECLAMATION PLAN

BONDING AND INSURANCE REQUIREMENTS

General

The Permittee submitted Tables 3-4 and 3-5 with the Task ID # 3858 application. These sheets (Chapter 3, Pages 3-75 through 3-85) detail the reclamation cost estimate for the demolition, earthwork and revegetation of the 10.39 acres of disturbance associated with the Trail Mountain Mine. However, **these cost estimate sheets are outdated as they were revised in 1999 and escalated to 2005 dollars.** Incorporation of these figures occurred on July 11, 2001.

The Division initiated a Midterm Permit Review of the Trail Mountain Mine mining and reclamation plan on November 15, 2007 (Task ID # 2878). During the review (in 2009), the Division determined that the amount of posted reclamation bond was \$ 100,000.00 short due to increases in unit costs, and escalation of the dollar amount to 2013 (the date of the next midterm permit review). The Permittee increased the posted bond amount by \$ 100,000 on April 1, 2009.

The Division completed the midterm review process (Task ID # 3355) on September 17, 2009, incorporating all completed documents into the MRP on October 5, 2009.

Form of Bond

The form of bond posted by the Permittee with the Utah Division of Oil, Gas and Mining is a surety bond issued by the Travelers Casualty and Surety Company of America (Bond # 1039089971). This surety has an A.M. Best rating of “A+” as of June 30, 2011.

Determination of Bond Amount

The reclamation cost estimate with its supporting calculations submitted by the Permittee with Task ID # 3858 are outdated and cannot be used for the approval of this application.

Therefore the current application is deficient. The Division will provide the current reclamation cost estimate sheets to the Permittee so they can be submitted with the next response.

The following figures were determined as part of the Task ID # 3355 Midterm Permit Review:

Subtotal Demolition and Removal of Facilities.....	\$ 482,102.00	
Subtotal Backfilling and Grading.....	\$ 453,799.00	
Subtotal Revegetation.....	\$ 65,183.00	
Total Direct Costs.....	\$ 1,001,084.00	
Indirect Costs		
Mob/Demob.....	\$ 100,108.00	10.0%
Contingency.....	\$ 50,054.00	5.0%
Engineering Redesign.....	\$ 25,027.00	2.5%
Main Office Expense.....	\$ 68,074.00	6.8%
Project Management Fee.....	\$ 25,027.00	2.5%
Subtotal Indirect Costs.....	\$ 268,290.00	26.8%
Total Cost.....	\$ 1,269,374.00	
Escalation to 2013 (5 years @ 0.013 (1.0667))	\$ 84,683.00	
Escalated Reclamation Cost.....	\$ 1,354,057.00	
Bond Posted 4/3/2009.....	\$ 1,354,000.00	

The amount of bond posted is adequate to reclaim the Trail Mountain site through 2013.

Terms and Conditions for Liability Insurance

The Permittee maintains general liability insurance for the Trail Mountain Mine and this coverage is renewed annually by the PacifiCorp risk-management office. Coverage continuation is verified by Division personnel during the four complete inspections conducted during the year.

Coverage amounts for each occurrence and general aggregate categories are adequate, and coverage for damage incurred from the use of explosives is maintained. All requirements mandated under R645-301-890 are met by the policy maintained by the Permittee.

Findings:

The application is deficient. In accordance with the requirements of

R645-301-830.140 Detailed Estimated Cost Sheets

“be based on...the detailed estimated cost, with supporting calculations for the estimates, submitted by the permit applicant”.

The Permittee must submit the correct supporting calculations for the currently posted bond amount, which is \$ 1,354,000.

RECOMMENDATION:

Approval of the Task ID # 3858 **PERMIT AREA MODIFICATION** cannot be made until:

- 1) **R645-301-521, et al,**
the Permittee must rectify the discrepancy (3 acres) between the acreage reported as being relinquished back to the Federal government in Task ID # 3858, Section **3.3.7 Mine Plan Area**, page 35 and the acreage reported as being relinquished in the cover letter describing the Task ID # 3858 **Amendment to Modify the Permit Area**.
- 2) **R645-301-830.140 Detailed Estimated Cost Sheets**
the Permittee submits the correct supporting calculations for the demolition, earthwork and revegetation costs for the currently determined reclamation cost estimate. The Division will provide these to the Permittee.